

B1 (Official Form 1)(4/10)

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|---|---|--|--|
| United States Bankruptcy Court Eastern District of Virginia | | Voluntary Petition | |
| Name of Debtor (if individual, enter Last, First, Middle): Subsand, Inc. | | Name of Joint Debtor (Spouse) (Last, First, Middle): | |
| All Other Names used by the Debtor in the last 8 years (include married, maiden, and trade names): | | All Other Names used by the Joint Debtor in the last 8 years (include married, maiden, and trade names): | |
| Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete EIN (if more than one, state all) 20-8793958 | | Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete EIN (if more than one, state all) | |
| Street Address of Debtor (No. and Street, City, and State): 817 Catrina Lane Chesapeake, VA <div style="text-align: right;">ZIP Code 23322</div> | | Street Address of Joint Debtor (No. and Street, City, and State): <div style="text-align: right;">ZIP Code</div> | |
| County of Residence or of the Principal Place of Business: Chesapeake City | | County of Residence or of the Principal Place of Business: | |
| Mailing Address of Debtor (if different from street address): <div style="text-align: right;">ZIP Code</div> | | Mailing Address of Joint Debtor (if different from street address): <div style="text-align: right;">ZIP Code</div> | |
| Location of Principal Assets of Business Debtor (if different from street address above): 105 Currituck Commercial Dr Moyock, NC 27958 | | | |
| Type of Debtor (Form of Organization) (Check one box) <input type="checkbox"/> Individual (includes Joint Debtors) <i>See Exhibit D on page 2 of this form.</i> <input checked="" type="checkbox"/> Corporation (includes LLC and LLP) <input type="checkbox"/> Partnership <input type="checkbox"/> Other (If debtor is not one of the above entities, check this box and state type of entity below.) | Nature of Business (Check one box) <input type="checkbox"/> Health Care Business <input type="checkbox"/> Single Asset Real Estate as defined in 11 U.S.C. § 101 (51B) <input type="checkbox"/> Railroad <input type="checkbox"/> Stockbroker <input type="checkbox"/> Commodity Broker <input type="checkbox"/> Clearing Bank <input checked="" type="checkbox"/> Other <hr/> Tax-Exempt Entity (Check box, if applicable) <input type="checkbox"/> Debtor is a tax-exempt organization under Title 26 of the United States Code (the Internal Revenue Code). | Chapter of Bankruptcy Code Under Which the Petition is Filed (Check one box) <div style="display: flex; justify-content: space-between;"> <div> <input type="checkbox"/> Chapter 7 <input type="checkbox"/> Chapter 9 <input checked="" type="checkbox"/> Chapter 11 <input type="checkbox"/> Chapter 12 <input type="checkbox"/> Chapter 13 </div> <div> <input type="checkbox"/> Chapter 15 Petition for Recognition of a Foreign Main Proceeding <input type="checkbox"/> Chapter 15 Petition for Recognition of a Foreign Nonmain Proceeding </div> </div> <hr/> Nature of Debts (Check one box) <div style="display: flex; justify-content: space-between;"> <div> <input type="checkbox"/> Debts are primarily consumer debts, defined in 11 U.S.C. § 101(8) as "incurred by an individual primarily for a personal, family, or household purpose." </div> <div> <input checked="" type="checkbox"/> Debts are primarily business debts. </div> </div> | |
| Filing Fee (Check one box) <input checked="" type="checkbox"/> Full Filing Fee attached <input type="checkbox"/> Filing Fee to be paid in installments (applicable to individuals only). Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form 3A. <input type="checkbox"/> Filing Fee waiver requested (applicable to chapter 7 individuals only). Must attach signed application for the court's consideration. See Official Form 3B. | | Chapter 11 Debtors (Check one box): <input checked="" type="checkbox"/> Debtor is a small business debtor as defined in 11 U.S.C. § 101(51D). <input type="checkbox"/> Debtor is not a small business debtor as defined in 11 U.S.C. § 101(51D). Check if: <input type="checkbox"/> Debtor's aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$2,343,300 (<i>amount subject to adjustment on 4/01/13 and every three years thereafter</i>). Check all applicable boxes: <input type="checkbox"/> A plan is being filed with this petition. <input type="checkbox"/> Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b). | |
| Statistical/Administrative Information <input checked="" type="checkbox"/> Debtor estimates that funds will be available for distribution to unsecured creditors. <input type="checkbox"/> Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors. | | THIS SPACE IS FOR COURT USE ONLY | |
| Estimated Number of Creditors <div style="display: flex; justify-content: space-between;"> <input checked="" type="checkbox"/> 1-49 <input type="checkbox"/> 50-99 <input type="checkbox"/> 100-199 <input type="checkbox"/> 200-999 <input type="checkbox"/> 1,000-5,000 <input type="checkbox"/> 5,001-10,000 <input type="checkbox"/> 10,001-25,000 <input type="checkbox"/> 25,001-50,000 <input type="checkbox"/> 50,001-100,000 <input type="checkbox"/> OVER 100,000 </div> | | | |
| Estimated Assets <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> \$0 to \$50,000 <input type="checkbox"/> \$50,001 to \$100,000 <input checked="" type="checkbox"/> \$100,001 to \$500,000 <input type="checkbox"/> \$500,001 to \$1 million <input type="checkbox"/> \$1,000,001 to \$10 million <input type="checkbox"/> \$10,000,001 to \$50 million <input type="checkbox"/> \$50,000,001 to \$100 million <input type="checkbox"/> \$100,000,001 to \$500 million <input type="checkbox"/> \$500,000,001 to \$1 billion <input type="checkbox"/> More than \$1 billion </div> | | | |
| Estimated Liabilities <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> \$0 to \$50,000 <input checked="" type="checkbox"/> \$50,001 to \$100,000 <input type="checkbox"/> \$100,001 to \$500,000 <input type="checkbox"/> \$500,001 to \$1 million <input type="checkbox"/> \$1,000,001 to \$10 million <input type="checkbox"/> \$10,000,001 to \$50 million <input type="checkbox"/> \$50,000,001 to \$100 million <input type="checkbox"/> \$100,000,001 to \$500 million <input type="checkbox"/> \$500,000,001 to \$1 billion <input type="checkbox"/> More than \$1 billion </div> | | | |

Voluntary Petition

(This page must be completed and filed in every case)

Name of Debtor(s):

Subsand, Inc.**All Prior Bankruptcy Cases Filed Within Last 8 Years** (If more than two, attach additional sheet)

Location

Where Filed: **- None -**

Case Number:

Date Filed:

Location

Where Filed:

Case Number:

Date Filed:

Pending Bankruptcy Case Filed by any Spouse, Partner, or Affiliate of this Debtor (If more than one, attach additional sheet)

Name of Debtor:

Case Number:

Date Filed:

- None -

District:

Relationship:

Judge:

Exhibit A

(To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11.)

☐ Exhibit A is attached and made a part of this petition.

Exhibit B

(To be completed if debtor is an individual whose debts are primarily consumer debts.)

I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter. I further certify that I delivered to the debtor the notice required by 11 U.S.C. §342(b).

X

Signature of Attorney for Debtor(s)

(Date)

Exhibit C

Does the debtor own or have possession of any property that poses or is alleged to pose a threat of imminent and identifiable harm to public health or safety?

☐ Yes, and Exhibit C is attached and made a part of this petition.

☒ No.

Exhibit D

(To be completed by every individual debtor. If a joint petition is filed, each spouse must complete and attach a separate Exhibit D.)

☐ Exhibit D completed and signed by the debtor is attached and made a part of this petition.

If this is a joint petition:

☐ Exhibit D also completed and signed by the joint debtor is attached and made a part of this petition.

Information Regarding the Debtor - Venue

(Check any applicable box)

- ☒ Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.
- ☐ There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.
- ☐ Debtor is a debtor in a foreign proceeding and has its principal place of business or principal assets in the United States in this District, or has no principal place of business or assets in the United States but is a defendant in an action or proceeding [in a federal or state court] in this District, or the interests of the parties will be served in regard to the relief sought in this District.

Certification by a Debtor Who Resides as a Tenant of Residential Property

(Check all applicable boxes)

- ☐ Landlord has a judgment against the debtor for possession of debtor's residence. (If box checked, complete the following.)

(Name of landlord that obtained judgment)

(Address of landlord)

- ☐ Debtor claims that under applicable nonbankruptcy law, there are circumstances under which the debtor would be permitted to cure the entire monetary default that gave rise to the judgment for possession, after the judgment for possession was entered, and
- ☐ Debtor has included in this petition the deposit with the court of any rent that would become due during the 30-day period after the filing of the petition.
- ☐ Debtor certifies that he/she has served the Landlord with this certification. (11 U.S.C. § 362(l)).

Voluntary Petition

(This page must be completed and filed in every case)

Name of Debtor(s):
Subsand, Inc.

Signatures

Signature(s) of Debtor(s) (Individual/Joint)

I declare under penalty of perjury that the information provided in this petition is true and correct.
[If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7.
[If no attorney represents me and no bankruptcy petition preparer signs the petition] I have obtained and read the notice required by 11 U.S.C. §342(b).
I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.

X _____
Signature of Debtor

X _____
Signature of Joint Debtor

Telephone Number (If not represented by attorney)

Date

Signature of Attorney*

X /s/ Karen M. Crowley VSB
Signature of Attorney for Debtor(s)

Karen M. Crowley VSB #35881
Printed Name of Attorney for Debtor(s)

Crowley, Liberatore & Ryan, PC
Firm Name
1435 Crossways Blvd
Suite 300
Chesapeake, VA 23320-2896

Address

(757) 333-4500 Fax: (757) 333-4501
Telephone Number

May 25, 2011
Date

*In a case in which § 707(b)(4)(D) applies, this signature also constitutes a certification that the attorney has no knowledge after an inquiry that the information in the schedules is incorrect.

Signature of Debtor (Corporation/Partnership)

I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor.
The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition.

X /s/ Barry Eaton
Signature of Authorized Individual

Barry Eaton
Printed Name of Authorized Individual

President
Title of Authorized Individual

May 25, 2011
Date

Signature of a Foreign Representative

I declare under penalty of perjury that the information provided in this petition is true and correct, that I am the foreign representative of a debtor in a foreign proceeding, and that I am authorized to file this petition.

(Check only one box.)

☐ I request relief in accordance with chapter 15 of title 11, United States Code. Certified copies of the documents required by 11 U.S.C. §1515 are attached.

☐ Pursuant to 11 U.S.C. §1511, I request relief in accordance with the chapter of title 11 specified in this petition. A certified copy of the order granting recognition of the foreign main proceeding is attached.

X _____
Signature of Foreign Representative

Printed Name of Foreign Representative

Date

Signature of Non-Attorney Bankruptcy Petition Preparer

I declare under penalty of perjury that: (1) I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110; (2) I prepared this document for compensation and have provided the debtor with a copy of this document and the notices and information required under 11 U.S.C. §§ 110(b), 110(h), and 342(b); and, (3) if rules or guidelines have been promulgated pursuant to 11 U.S.C. § 110(h) setting a maximum fee for services chargeable by bankruptcy petition preparers, I have given the debtor notice of the maximum amount before preparing any document for filing for a debtor or accepting any fee from the debtor, as required in that section. Official Form 19 is attached.

Printed Name and title, if any, of Bankruptcy Petition Preparer

Social-Security number (If the bankruptcy petition preparer is not an individual, state the Social Security number of the officer, principal, responsible person or partner of the bankruptcy petition preparer.)(Required by 11 U.S.C. § 110.)

Address

X _____
Date

Signature of Bankruptcy Petition Preparer or officer, principal, responsible person, or partner whose Social Security number is provided above.

Names and Social-Security numbers of all other individuals who prepared or assisted in preparing this document unless the bankruptcy petition preparer is not an individual:

If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.

A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both 11 U.S.C. §110; 18 U.S.C. §156.

B4 (Official Form 4) (12/07)

**United States Bankruptcy Court
Eastern District of Virginia**

In re **Subsand, Inc.**

Debtor(s)

Case No.

Chapter **11**

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

Following is the list of the debtor's creditors holding the 20 largest unsecured claims. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in this chapter 11 [or chapter 9] case. The list does not include (1) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101, or (2) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. If a minor child is one of the creditors holding the 20 largest unsecured claims, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See 11 U.S.C. § 112; Fed. R. Bankr. P. 1007(m).

| (1) <i>Name of creditor and complete mailing address including zip code</i> | (2) <i>Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted</i> | (3) <i>Nature of claim (trade debt, bank loan, government contract, etc.)</i> | (4) <i>Indicate if claim is contingent, unliquidated, disputed, or subject to setoff</i> | (5) <i>Amount of claim [if secured, also state value of security]</i> |
|--|---|--|---|--|
| Hartford Insurance 1 Hartford Plaza Hartford, CT 06115 | Hartford Insurance 1 Hartford Plaza Hartford, CT 06115 | | Disputed | 800.00 |
| Internal Revenue Service P. O. Box 7346 Philadelphia, PA 19101-7346 | Internal Revenue Service P. O. Box 7346 Philadelphia, PA 19101-7346 | | | 29,151.32 |
| N.C. Department of Revenue P.O. Box 25000 Raleigh, NC 27640-0002 | N.C. Department of Revenue P.O. Box 25000 Raleigh, NC 27640-0002 | | | 25,310.69 |
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B4 (Official Form 4) (12/07) - Cont.

In re **Subsand, Inc.**

Case No. _____

Debtor(s) _____

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

(Continuation Sheet)

| (1) | (2) | (3) | (4) | (5) |
|---|--|---|--|---|
| <i>Name of creditor and complete mailing address including zip code</i> | <i>Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted</i> | <i>Nature of claim (trade debt, bank loan, government contract, etc.)</i> | <i>Indicate if claim is contingent, unliquidated, disputed, or subject to setoff</i> | <i>Amount of claim [if secured, also state value of security]</i> |
| | | | | |
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**DECLARATION UNDER PENALTY OF PERJURY
ON BEHALF OF A CORPORATION OR PARTNERSHIP**

I, the President of the corporation named as the debtor in this case, declare under penalty of perjury that I have read the foregoing list and that it is true and correct to the best of my information and belief.

Date **May 25, 2011**

Signature **/s/ Barry Eaton**

Barry Eaton
President

Penalty for making a false statement or concealing property: Fine of up to \$500,000 or imprisonment for up to 5 years or both.
18 U.S.C. §§ 152 and 3571.

United States Bankruptcy Court
Eastern District of Virginia

In re **Subsand, Inc.**,
Debtor

Case No. _____

Chapter **11**

LIST OF EQUITY SECURITY HOLDERS

Following is the list of the Debtor's equity security holders which is prepared in accordance with Rule 1007(a)(3) for filing in this chapter 11 case.

| Name and last known address or place of business of holder | Security Class | Number of Securities | Kind of Interest |
|---|-------------------|-------------------------|---------------------|
| Barry Eaton | | 50% | Common Stock |
| Susan Eaton | | 50% | Common stock |

DECLARATION UNDER PENALTY OF PERJURY ON BEHALF OF CORPORATION OR PARTNERSHIP

I, the President of the corporation named as the debtor in this case, declare under penalty of perjury that I have read the foregoing List of Equity Security Holders and that it is true and correct to the best of my information and belief.

Date **May 25, 2011**

Signature **/s/ Barry Eaton**
Barry Eaton
President

Penalty for making a false statement or concealing property: Fine of up to \$500,000 or imprisonment for up to 5 years or both.
18 U.S.C §§ 152 and 3571.

Barry and Susan Eaton
817 Catrina Lane
Chesapeake, VA 23322

Barry Eaton
817 Catrina Lane
Chesapeake, VA 23322

Doctor's Associates, Inc.
325 Bic Drive
CT 06661

Hartford Insurance
1 Hartford Plaza
Hartford, CT 06115

Internal Revenue Service
P. O. Box 7346
Philadelphia, PA 19101-7346

Joe Staten
Fortunato's, LLC
7009 Currituck Rd.
Kitty Hawk, NC 27949

N.C. Department of Revenue
P.O. Box 25000
Raleigh, NC 27640-0002

Sunbelt Business Brokers

Susan Eaton
817 Catrina Lane
Chesapeake, VA 23322

Wheeler Interest
Riversedge North
2529 Virginia Beach Blvd, Ste 200
Virginia Beach, VA 23452

**United States Bankruptcy Court
Eastern District of Virginia**

In re **Subsand, Inc.**

Debtor(s)

Case No.
Chapter

11

CORPORATE OWNERSHIP STATEMENT (RULE 7007.1)

Pursuant to Federal Rule of Bankruptcy Procedure 7007.1 and to enable the Judges to evaluate possible disqualification or recusal, the undersigned counsel for **Subsand, Inc.** in the above captioned action, certifies that the following is a (are) corporation(s), other than the debtor or a governmental unit, that directly or indirectly own(s) 10% or more of any class of the corporation's(s') equity interests, or states that there are no entities to report under FRBP 7007.1:

☒ None [*Check if applicable*]

May 25, 2011

Date

/s/ Karen M. Crowley VSB

Karen M. Crowley VSB #35881

Signature of Attorney or Litigant

Counsel for **Subsand, Inc.**

Crowley, Liberatore & Ryan, PC

1435 Crossways Blvd

Suite 300

Chesapeake, VA 23320-2896

(757) 333-4500 Fax:(757) 333-4501

Form **1120S****U.S. Income Tax Return for an S Corporation**

Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
See separate instructions.

OMB No. 1545-0130

2010Department of the Treasury
Internal Revenue Service

For calendar year 2010 or tax year beginning , ending

| | | | |
|---|------------------------------|---|---|
| A S election effective date 07/01/07 | TYPE OR PRINT | Name SUBSAND, INCORPORATED | D Employer identification number 3958 |
| B Business activity code number (see instructions) 722110 | | Number, street, and room or suite no. If a P.O. box, see instructions. 105 CURRITUCK COMMERCIAL DR. STE. F | E Date incorporated 05/18/2007 |
| C Check if Sch. M-3 attached <input type="checkbox"/> | | City or town, state, and ZIP code MOYOCK NC 27958 | F Total assets (see instructions) \$ 96,601 |

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If "Yes," attach Form 2553 if not already filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change
(4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year 2

Caution. Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.

| | | | | | | | |
|--|---|------------|--------------------------------------|-----------|--------------|-----------|---------|
| Income | 1a Gross receipts or sales | 720,314 | b Less returns and allowances | | c Bal | 1c | 720,314 |
| | 2 Cost of goods sold (Schedule A, line 8) | | | | | 2 | 286,858 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | | | 3 | 433,456 |
| | 4 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | | | 4 | |
| | 5 Other income (loss) (see instructions - attach statement) | | | | | 5 | |
| | 6 Total income (loss). Add lines 3 through 5 | | | | | 6 | 433,456 |
| Deductions (see instructions for limitations) | 7 Compensation of officers | | | | | 7 | 20,000 |
| | 8 Salaries and wages (less employment credits) | | | | | 8 | 177,414 |
| | 9 Repairs and maintenance | | | | | 9 | 4,596 |
| | 10 Bad debts | | | | | 10 | |
| | 11 Rents | | | | | 11 | 97,869 |
| | 12 Taxes and licenses | | | | | 12 | 24,001 |
| | 13 Interest | | | | | 13 | 7,833 |
| | 14 Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562) | | | | | 14 | 39,151 |
| | 15 Depletion (Do not deduct oil and gas depletion.) | | | | | 15 | |
| | 16 Advertising | | | | | 16 | 31,530 |
| | 17 Pension, profit-sharing, etc., plans | | | | | 17 | |
| | 18 Employee benefit programs | | | | | 18 | |
| | 19 Other deductions (attach statement) | SEE STMT 1 | | | | 19 | 120,310 |
| | 20 Total deductions. Add lines 7 through 19 | | | | | 20 | 522,704 |
| | 21 Ordinary business income (loss). Subtract line 20 from line 6 | | | | | 21 | -89,248 |
| Tax and Payments | 22a Excess net passive income or LIFO recapture tax (see instructions) | 22a | | | | | |
| | b Tax from Schedule D (Form 1120S) | 22b | | | | | |
| | c Add lines 22a and 22b (see instructions for additional taxes) | | | | 22c | | |
| | 23a 2010 estimated tax payments and 2009 overpayment credited to 2010 | 23a | | | | | |
| | b Tax deposited with Form 7004 | 23b | | | | | |
| | c Credit for federal tax paid on fuels (attach Form 4136) | 23c | | | | | |
| | d Add lines 23a through 23c | | | | 23d | | |
| | 24 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/> | | | | 24 | | |
| | 25 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed | | | | 25 | | |
| | 26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid | | | | 26 | | |
| 27 Enter amount from line 26 Credited to 2011 estimated tax Refunded | | | | 27 | | | |

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

May the IRS discuss this return with the preparer shown below (see instructions)? ☒ Yes ☐ NoSignature of officer **BARRY C. EATON**

Date

PRESIDENT

Title

Paid Preparer Use Only

Print/Type preparer's name

WILLIAM R. MOSS

Preparer's signature

Date

Check ☐ if self-employed

PTIN

P01340249

Firm's name **MOSS & ASSOCIATES, PC**Firm's EIN **0145**Firm's address **100 BRUTON CT
CHESAPEAKE, VA**

23322

Phone no. **757-410-9283**

For Paperwork Reduction Act Notice, see separate instructions.

Form **1120S** (2010)

Schedule A Cost of Goods Sold (see instructions)

| | | | |
|---|---|---|---------|
| 1 | Inventory at beginning of year | 1 | 8,500 |
| 2 | Purchases | 2 | 283,358 |
| 3 | Cost of labor | 3 | |
| 4 | Additional section 263A costs (attach statement) | 4 | |
| 5 | Other costs (attach statement) | 5 | |
| 6 | Total. Add lines 1 through 5 | 6 | 291,858 |
| 7 | Inventory at end of year | 7 | 5,000 |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | 286,858 |

9a Check all methods used for valuing closing inventory: (i) ☒ Cost as described in Regulations section 1.471-3
(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
(iii) ☐ Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d ☐

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☒ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☒ No
If "Yes," attach explanation.

Schedule B Other Information (see instructions)

| | Yes | No |
|--|-----|----|
| 1 Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ | | |
| 2 See the instructions and enter the: a Business activity ▶ SALES b Product or service ▶ RESTAURANT | | |
| 3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made? | | X |
| 4 Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? | | X |
| 5 Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments. | | |
| 6 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions) ▶ \$ | | |
| 7 Enter the accumulated earnings and profits of the corporation at the end of the tax year. \$ | | |
| 8 Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1 | | X |
| 9 During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions | | X |

Schedule K Shareholders' Pro Rata Share Items

| | Total amount |
|---|--------------|
| 1 Ordinary business income (loss) (page 1, line 21) | 1 -89,248 |
| 2 Net rental real estate income (loss) (attach Form 8825) | 2 |
| 3a Other gross rental income (loss) | 3a |
| b Expenses from other rental activities (attach statement) | 3b |
| c Other net rental income (loss). Subtract line 3b from line 3a | 3c |
| 4 Interest income | 4 |
| 5 Dividends: a Ordinary dividends | 5a |
| b Qualified dividends | 5b |
| 6 Royalties | 6 |
| 7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S)) | 7 |
| 8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S)) | 8a |
| b Collectibles (28%) gain (loss) | 8b |
| c Unrecaptured section 1250 gain (attach statement) | 8c |
| 9 Net section 1231 gain (loss) (attach Form 4797) | 9 -22,001 |
| 10 Other income (loss) (see instructions) Type ▶ | 10 |

| Shareholders' Pro Rata Share Items (continued) | | Total amount | |
|---|--|--------------|----------|
| Deductions | 11 Section 179 deduction (attach Form 4562) | 11 | |
| | 12a Contributions SEE STMT 2 | 12a | 50 |
| | b Investment interest expense | 12b | |
| | c Section 59(e)(2) expenditures (1) Type (2) Amount | 12c(2) | |
| | d Other deductions (see instructions) Type | 12d | |
| Credits | 13a Low-income housing credit (section 42(j)(5)) | 13a | |
| | b Low-income housing credit (other) | 13b | |
| | c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) | 13c | |
| | d Other rental real estate credits (see instructions) Type | 13d | |
| | e Other rental credits (see instructions) Type | 13e | |
| | f Alcohol and cellulosic biofuel fuels credit (attach Form 6478) | 13f | |
| | g Other credits (see instructions) Type | 13g | |
| Foreign Transactions | 14a Name of country or U.S. possession | | |
| | b Gross income from all sources | 14b | |
| | c Gross income sourced at shareholder level | 14c | |
| | Foreign gross income sourced at corporate level | | |
| | d Passive category | 14d | |
| | e General category | 14e | |
| | f Other (attach statement) | 14f | |
| | Deductions allocated and apportioned at shareholder level | | |
| | g Interest expense | 14g | |
| | h Other | 14h | |
| | Deductions allocated and apportioned at corporate level to foreign source income | | |
| | i Passive category | 14i | |
| | j General category | 14j | |
| | k Other (attach statement) | 14k | |
| Other information | | | |
| l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued | 14l | | |
| m Reduction in taxes available for credit (attach statement) | 14m | | |
| n Other foreign tax information (attach statement) | | | |
| Alternative Minimum Tax (AMT) items | 15a Post-1986 depreciation adjustment | 15a | 3,408 |
| | b Adjusted gain or loss | 15b | -14,685 |
| | c Depletion (other than oil and gas) | 15c | |
| | d Oil, gas, and geothermal properties – gross income | 15d | |
| | e Oil, gas, and geothermal properties – deductions | 15e | |
| | f Other AMT items (attach statement) | 15f | |
| Items Affecting Shareholder Basis | 16a Tax-exempt interest income | 16a | |
| | b Other tax-exempt income | 16b | |
| | c Nondeductible expenses | 16c | |
| | d Distributions (attach statement if required) (see instructions) | 16d | |
| | e Repayment of loans from shareholders | 16e | |
| Other Information | 17a Investment income | 17a | |
| | b Investment expenses | 17b | |
| | c Dividend distributions paid from accumulated earnings and profits | 17c | |
| | d Other items and amounts (attach statement) | | |
| Reconciliation | 18 Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14l | 18 | -111,299 |

| Schedule L Balance Sheets per Books | | Beginning of tax year | | End of tax year | |
|---|--|-----------------------|---------|-----------------|----------|
| Assets | | (a) | (b) | (c) | (d) |
| 1 | Cash | | 1,411 | | 546 |
| 2a | Trade notes and accounts receivable | | | | |
| b | Less allowance for bad debts | (| | (| |
| 3 | Inventories | | 8,500 | | 5,000 |
| 4 | U.S. government obligations | | | | |
| 5 | Tax-exempt securities (see instructions) | | | | |
| 6 | Other current assets (attach statement) | | | | |
| 7 | Loans to shareholders | | | | |
| 8 | Mortgage and real estate loans | | | | |
| 9 | Other investments (attach statement) | | | | |
| 10a | Buildings and other depreciable assets | 337,565 | | 159,565 | |
| b | Less accumulated depreciation | (103,022) | 234,543 | (78,093) | 81,472 |
| 11a | Depletable assets | | | | |
| b | Less accumulated depletion | (| | (| |
| 12 | Land (net of any amortization) | | | | |
| 13a | Intangible assets (amortizable only) | 29,000 | | 12,500 | |
| b | Less accumulated amortization | (2,908) | 26,092 | (2,917) | 9,583 |
| 14 | Other assets (attach statement) | | | | |
| 15 | Total assets | | 270,546 | | 96,601 |
| Liabilities and Shareholders' Equity | | | | | |
| 16 | Accounts payable | | | | |
| 17 | Mortgages, notes, bonds payable in less than 1 year | | | | |
| 18 | Other current liabilities (attach statement) STMT 3 | | 4,800 | | 68,237 |
| 19 | Loans from shareholders | | 108,578 | | 161,046 |
| 20 | Mortgages, notes, bonds payable in 1 year or more | | 178,551 | | |
| 21 | Other liabilities (attach statement) | | | | |
| 22 | Capital stock | | 100 | | 100 |
| 23 | Additional paid-in capital | | | | |
| 24 | Retained earnings | | -21,483 | | -132,782 |
| 25 | Adjustments to shareholders' equity (attach statement) | | | | |
| 26 | Less cost of treasury stock | (| | (| |
| 27 | Total liabilities and shareholders' equity | | 270,546 | | 96,601 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more – see instructions

| | | | | | |
|---|---|----------|---|---|----------|
| 1 | Net income (loss) per books | -111,299 | 5 | Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize): | |
| 2 | Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize): | | a | Tax-exempt interest \$ | |
| 3 | Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14i (itemize): | | 6 | Deductions included on Schedule K, lines 1 through 12 and 14i, not charged against book income this year (itemize): | |
| a | Depreciation \$ | | a | Depreciation \$ | |
| b | Travel and entertainment \$ | | 7 | Add lines 5 and 6 | |
| 4 | Add lines 1 through 3 | -111,299 | 8 | Income (loss) (Schedule K, line 18), Line 4 less line 7 | -111,299 |

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

| | (a) Accumulated adjustments account | (b) Other adjustments account | (c) Shareholders' undistributed taxable income previously taxed |
|---|---|-------------------------------|---|
| 1 | Balance at beginning of tax year | -21,483 | |
| 2 | Ordinary income from page 1, line 21 | | |
| 3 | Other additions | | |
| 4 | Loss from page 1, line 21 | 89,248 | |
| 5 | Other reductions STMT 4 | 22,051 | |
| 6 | Combine lines 1 through 5 | -132,782 | |
| 7 | Distributions other than dividend distributions | | |
| 8 | Balance at end of tax year. Subtract line 7 from line 6 | -132,782 | |

671110

☐ Final K-1☐ Amended K-1

OMB No. 1545-0130

**Schedule K-1
(Form 1120S)**Department of the Treasury
Internal Revenue Service**2010**For calendar year 2010, or tax
year beginning _____
ending _____**Shareholder's Share of Income, Deductions,
Credits, etc.**

▶ See back of form and separate instructions.

| Part I Information About the Corporation | | Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items | |
|--|--|--|--|
| A Corporation's employer identification number 20-8793958 | | 1 Ordinary business income (loss) -44,624 | 13 Credits |
| B Corporation's name, address, city, state, and ZIP code SUBSAND, INCORPORATED 105 CURRITUCK COMMERCIAL DR. STE. F MOYOCK NC 27958 | | 2 Net rental real estate income (loss) | |
| | | 3 Other net rental income (loss) | |
| | | 4 Interest income | |
| C IRS Center where corporation filed return E-FILE | | 5a Ordinary dividends | |
| | | 5b Qualified dividends | 14 Foreign transactions |
| | | 6 Royalties | |
| | | 7 Net short-term capital gain (loss) | |
| | | 8a Net long-term capital gain (loss) | |
| | | 8b Collectibles (28%) gain (loss) | |
| | | 8c Unrecaptured section 1250 gain | |
| D Shareholder's identifying number [REDACTED] | | 9 Net section 1231 gain (loss) -11,001 | |
| E Shareholder's name, address, city, state, and ZIP code BARRY EATON 817 CATRINA LANE CHESAPEAKE VA 23322 | | 10 Other income (loss) | 15 Alternative minimum tax (AMT) items A 1,704 B -7,343 |
| | | | |
| | | | |
| F Shareholder's percentage of stock ownership for tax year 50.000000 % | | 11 Section 179 deduction | 16 Items affecting shareholder basis |
|  | | 12 Other deductions A 25 | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | 17 Other information |
| * See attached statement for additional information. | | | |

For IRS Use Only

671110

OMB No. 1545-0130

**Schedule K-1
(Form 1120S)**Department of the Treasury
Internal Revenue Service**2010**For calendar year 2010, or tax
year beginning _____
ending _____☐ Final K-1☐ Amended K-1**Shareholder's Share of Income, Deductions,
Credits, etc.**

▶ See back of form and separate instructions.

**Part III Shareholder's Share of Current Year Income,
Deductions, Credits, and Other Items**

| | | | |
|----|--|----|-------------------------------------|
| 1 | Ordinary business income (loss) -44,624 | 13 | Credits |
| 2 | Net rental real estate income (loss) | | |
| 3 | Other net rental income (loss) | | |
| 4 | Interest income | | |
| 5a | Ordinary dividends | | |
| 5b | Qualified dividends | 14 | Foreign transactions |
| 6 | Royalties | | |
| 7 | Net short-term capital gain (loss) | | |
| 8a | Net long-term capital gain (loss) | | |
| 8b | Collectibles (28%) gain (loss) | | |
| 8c | Unrecaptured section 1250 gain | | |
| 9 | Net section 1231 gain (loss) -11,000 | | |
| 10 | Other income (loss) | 15 | Alternative minimum tax (AMT) items |
| | | A | 1,704 |
| | | B | -7,342 |
| 11 | Section 179 deduction | 16 | Items affecting shareholder basis |
| 12 | Other deductions A 25 | | |
| | | | |
| | | | |
| | | | |
| | | 17 | Other information |
| | | | |
| | | | |
| | | | |

* See attached statement for additional information.

Part I Information About the CorporationA Corporation's employer identification number
3958B Corporation's name, address, city, state, and ZIP code
SUBSAND, INCORPORATED105 CURRITUCK COMMERCIAL DR. STE. F
MOYOCK NC 27958C IRS Center where corporation filed return
E-FILE**Part II Information About the Shareholder**

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
SUSAN R. EATON
817 CATRINA LANE

CHESAPEAKE VA 23322

F Shareholder's percentage of stock
ownership for tax year 50.000000 %

For IRS Use Only

Form **4797****Sales of Business Property**
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

OMB No. 1545-0184

2010Attachment
Sequence No. **27**Department of the Treasury
Internal Revenue Service (99)

▶ Attach to your tax return.

▶ See separate instructions.

Name(s) shown on return

Identifying number

SUBSAND, INCORPORATED

[REDACTED] 3958

1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)**1****Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)**

| 2 (a) Description of property | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | (d) Gross sales price | (e) Depreciation allowed or allowable since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) Gain or (loss) Subtract (f) from the sum of (d) and (e) |
|--------------------------------------|-----------------------------------|-------------------------------|-----------------------|---|--|---|
| SALE OF GRANDY VARIOUS | 12/01/10 | | 106,586 | 65,913 | 194,500 | -22,001 |

3 Gain, if any, from Form 4684, line 42**3****4** Section 1231 gain from installment sales from Form 6252, line 26 or 37**4****5** Section 1231 gain or (loss) from like-kind exchanges from Form 8824**5****6** Gain, if any, from line 32, from other than casualty or theft**6****7** Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:**7**

-22,001

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.**Individuals, partners, S corporation shareholders, and all others.** If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.**8** Nonrecaptured net section 1231 losses from prior years (see instructions)**8****9** Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)**9****Part II Ordinary Gains and Losses (see instructions)****10** Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
|--|--|--|--|--|--|--|

11 Loss, if any, from line 7**11****12** Gain, if any, from line 7 or amount from line 8, if applicable**12****13** Gain, if any, from line 31**13****14** Net gain or (loss) from Form 4684, lines 34 and 41a**14****15** Ordinary gain from installment sales from Form 6252, line 25 or 36**15****16** Ordinary gain or (loss) from like-kind exchanges from Form 8824**16****17** Combine lines 10 through 16**17****18** For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:**a** If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions**18a****b** Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14**18b**

For Paperwork Reduction Act Notice, see separate instructions.

Form **4797** (2010)

THERE ARE NO AMOUNTS FOR PAGE 2

20-8793958

Federal Statements**Statement 1 - Form 1120S, Page 1, Line 19 - Other Deductions**

| <u>Description</u> | <u>Amount</u> |
|-----------------------|-------------------|
| ROYALTIES | \$ 57,935 |
| OFFICE SUPPLIES | 380 |
| BANK SERVICE CHARGES | 9,144 |
| INSURANCE EXPENSE | 3,600 |
| AUTO EXPENSE | 9,750 |
| UTILITIES | 26,852 |
| PROFESSIONAL FEES | 3,554 |
| SUPPLIES | 134 |
| TELEPHONE | 1,608 |
| MISCELLANEOUS EXPENSE | 5,510 |
| AMORTIZATION | 1,843 |
| TOTAL | <u>\$ 120,310</u> |

Federal Statements

20-8793958

Statement 2 - Form 1120S, Page 3, Schedule K, Line 12a - Cash Contributions

| Description | Cash Contrib 50% | Cash Contrib 30% | Total |
|--------------------------|---------------------|---------------------|-------|
| CHARITABLE CONTRIBUTIONS | \$ 50 | \$ 0 | \$ 50 |
| TOTAL | \$ 50 | \$ 0 | \$ 50 |

20-8793958

Federal Statements**Statement 3 - Form 1120S, Page 4, Schedule L, Line 18 - Other Current Liabilities**

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|-------------------------------|------------------------------|------------------------|
| FEDERAL 941 TAXES PAYABLE | \$ 1,396 | \$ 6,379 |
| STATE WITHHOLDING | 325 | 2,346 |
| SALES TAX PAYABLE | 3,079 | 20,000 |
| CC - SLATE FROM CHASE | | 5,963 |
| CC - SOUTHWEST RAPID REWARDS | | 11,350 |
| CC - VISA SIGNATURE/ US AIRWA | | 20,155 |
| CC - CARNIVAL FUN POINTS | | 2,044 |
| TOTAL | \$ <u>4,800</u> | \$ <u>68,237</u> |

Statement 4 - Form 1120S, Page 4, Schedule M-2, Line 5(a) - Other Reductions

| <u>Description</u> | <u>Amount</u> |
|--------------------------|------------------|
| NET SECTION 1231 LOSS | \$ 22,001 |
| CHARITABLE CONTRIBUTIONS | 50 |
| TOTAL | \$ <u>22,051</u> |

Form **1120S****Schedule K-1 Summary Worksheet****2010**

Name

Employer Identification Number

SUBSAND, INCORPORATED

3958

Shareholder Name

SSN/EIN

Column A BARRY EATON

Column B SUSAN R. EATON

Column C

Column D

| | Schedule K Items | Column A | Column B | Column C | Column D | SCH K TOTAL |
|-------|-----------------------|----------|----------|----------|----------|-------------|
| 1 | Ordinary income | -44,624 | -44,624 | | | -89,248 |
| 2 | Net rental RE inc | | | | | |
| 3c | Net other rental inc | | | | | |
| 4 | Interest income | | | | | |
| 5a | Ordinary dividends | | | | | |
| 5b | Qualified dividends | | | | | |
| 6 | Royalties | | | | | |
| 7 | Net ST capital gain | | | | | |
| 8a | Net LT capital gain | | | | | |
| 8b | Collectibles 28% gain | | | | | |
| 8c | Unrecap Sec 1250 | | | | | |
| 9 | Net Sec 1231 gain | -11,001 | -11,000 | | | -22,001 |
| 10 | Other income (loss) | | | | | |
| 11 | Sec 179 deduction | | | | | |
| 12a | Contributions | 25 | 25 | | | 50 |
| 12b | Invest interest exp | | | | | |
| 12c | Sec 59(e)(2) exp | | | | | |
| 12d | Other deductions | | | | | |
| 13a,c | Low-inc house 42j5 | | | | | |
| 13b,d | Low-inc house other | | | | | |
| 13e | Qualif rehab exp | | | | | |
| 13f | Rental RE credits | | | | | |
| 13g | Other rental credits | | | | | |
| 13h | Fuel alcohol credit | | | | | |
| 13i | Other credits | | | | | |
| 14b | Gross inc all src | | | | | |
| 14d-f | Total foreign inc | | | | | |
| 14g-k | Total foreign deds | | | | | |
| 14l | Total foreign taxes | | | | | |
| 14m | Reduct in taxes | | | | | |
| 15a | Depr adjustment | 1,704 | 1,704 | | | 3,408 |
| 15b | Adjusted gain (loss) | -7,343 | -7,342 | | | -14,685 |
| 15c | Depletion | | | | | |
| 15d | Inc-oil/gas/geoth | | | | | |
| 15e | Ded-oil/gas/geoth | | | | | |
| 15f | Other AMT items | | | | | |
| 16a | Tax-exempt interest | | | | | |
| 16b | Other tax-exempt | | | | | |
| 16c | Nonded expense | | | | | |
| 16d | Total property dist | | | | | |
| 16e | Shr loan repmts | | | | | |
| 17a | Investment income | | | | | |
| 17b | Investment expense | | | | | |
| 18 | Income (loss) | -55,650 | -55,649 | | | -111,299 |

| | | |
|--|---|---|
| Form 1120S | Retained Earnings Reconciliation Worksheet | 2010 |
| For calendar year 2010 or tax year beginning _____, ending _____ | | |
| Name SUBSAND, INCORPORATED | | Employer Identification Number 3958 |

Schedule L - Retained Earnings

| | | |
|---|--------------|--|
| Retained Earnings - Unappropriated | 0 | |
| Accumulated Adjustments Account | -132,782 | |
| Other Adjustments Account | 0 | |
| Undistributed Previously Taxed Income | 0 | |
| Schedule L, Line 24 - Retained Earnings | -132,782 | |

Schedule M-2 - Retained Earnings

| | Accumulated Adjustments Account | Other Adjustments Account | Undistributed Previously Taxed Income | Retained Earnings Unappropriated/ Timing Differences | Total Retained Earnings |
|---------------------|---------------------------------------|---------------------------------|---|--|-------------------------------|
| Beg Yr Bal | -21,483 | 0 | 0 | 0 | -21,483 |
| Ordinary Inc (Loss) | -89,248 | | | | -89,248 |
| Other Additions | | | | | |
| Other Reductions | 22,051 | | | | 22,051 |
| Distributions | | | | | |
| End Yr Bal | -132,782 | 0 | 0 | 0 | -132,782 |

| Form 1120S | | Two Year Comparison Worksheet Page 1 | | 2009 & 2010 | |
|--------------------------------------|--|--|---|--------------------|----------------|
| Name SUBSAND, INCORPORATED | | | Employer Identification Number 3958 | | |
| Income | | 2009 | 2010 | Differences | |
| | Gross profit percentage | 63.9059 | 60.1760 | -3.7299 | |
| | Gross receipts less returns and allowances | 648,943 | 720,314 | 71,371 | |
| | Cost of goods sold | 234,230 | 286,858 | 52,628 | |
| | Gross profit | 414,713 | 433,456 | 18,743 | |
| | Net gain (loss) from Form 4797 | | | | |
| | Other income (loss) | | | | |
| | Total income (loss) | 414,713 | 433,456 | 18,743 | |
| Deductions | Compensation of officers | 14,000 | 20,000 | 6,000 | |
| | Salaries and wages less employment credits | 153,513 | 177,414 | 23,901 | |
| | Repairs and maintenance | 498 | 4,596 | 4,098 | |
| | Bad debts | | | | |
| | Rents | 54,168 | 97,869 | 43,701 | |
| | Taxes and licenses | 47,137 | 24,001 | -23,136 | |
| | Interest | 10,376 | 7,833 | -2,543 | |
| | Depreciation | 52,104 | 39,151 | -12,953 | |
| | Depletion | | | | |
| | Advertising | 27,366 | 31,530 | 4,164 | |
| | Pension, profit-sharing, etc., plans | | | | |
| | Employee benefit programs | | | | |
| | Other deductions | 98,344 | 120,310 | 21,966 | |
| | Total deductions | 457,506 | 522,704 | 65,198 | |
| | | Ordinary business income (loss) | -42,793 | -89,248 | -46,455 |
| Tax and Payments | Excess net passive income or LIFO recapture tax | | | | |
| | Tax from Schedule D | | | | |
| | Total tax | 0 | 0 | 0 | |
| | Estimated tax and prior year overpayment credited | | | | |
| | Tax deposited with Form 7004 | | | | |
| | Credit for federal tax paid on fuels | | | | |
| | Refund applied for on Form 4466 | () | () | | |
| | Total payments and credits | | | | |
| | Tax due (overpayment) | 0 | 0 | 0 | |
| | Estimated tax penalty from Form 2220 | | | | |
| | Penalties and interest | | | | |
| | Net tax due (overpayment) | 0 | 0 | 0 | |
| | Overpayment credited to next year's estimated tax | | | | |
| | Overpayment refunded | | | | |

| Form 1120S | | Two Year Comparison Worksheet Page 2 | | 2009 & 2010 |
|--------------------------------------|--|---|---|------------------------|
| Name SUBSAND, INCORPORATED | | | Employer Identification Number 3958 | |
| | | 2009 | 2010 | Differences |
| Income (Loss) | Ordinary business income (loss) | -42,793 | -89,248 | -46,455 |
| | Net rental real estate income (loss) | | | |
| | Other net rental income (loss) | | | |
| | Interest income | | | |
| | Dividends | | | |
| | Royalties | | | |
| | Net short-term capital gain (loss) | | | |
| | Net long-term capital gain (loss) | | | |
| | Net Section 1231 gain (loss) | | -22,001 | -22,001 |
| Other income (loss) | | | | |
| Deductions | Section 179 deduction | | | |
| | Charitable contributions | 120 | 50 | -70 |
| | Investment interest expense | | | |
| | Section 59(e)(2) expenditures | | | |
| | Other deductions | | | |
| Credits | Low-income housing credit (Section 42(j)(5)) | | | |
| | Low-income housing credit (other) | | | |
| | Qualified rehabilitation expenditures (rental real estate) | | | |
| | Other rental real estate credits | | | |
| | Other rental credits | | | |
| | Alcohol and cellulosic biofuel fuels credit | | | |
| Other credits | | | | |
| Foreign Transactions | Total foreign gross income | | | |
| | Total foreign deductions | | | |
| | Total foreign taxes | | | |
| | Reduction in taxes available for credit | | | |
| AMT Items | Post-1986 depreciation adjustment | 10,368 | 3,408 | -6,960 |
| | Adjusted gain or loss | | -14,685 | -14,685 |
| | Depletion (other than oil and gas) | | | |
| | Oil, gas, and geothermal properties-gross income | | | |
| | Oil, gas, and geothermal properties-deductions | | | |
| | Other AMT items | | | |
| Items Affecting S/H Basis | Tax-exempt interest income | | | |
| | Other tax-exempt income | | | |
| | Nondeductible expenses | | | |
| | Distributions | | | |
| | Repayment of loans from shareholders | | | |
| Other Information | Investment income | | | |
| | Investment expenses | | | |
| | Dividend distributions paid from accumulated E&P | | | |
| | Income (loss) (if Schedule M-1 is required) | -42,913 | -111,299 | -68,386 |

| Form 1120S | | Two Year Comparison Worksheet Page 3 | | 2009 & 2010 |
|--------------------------------------|---|---|---|------------------------------|
| Name SUBSAND, INCORPORATED | | | Employer Identification Number 3958 | |
| Schedule L | Beginning assets | 2009 172,895 | 2010 270,546 | Differences 97,651 |
| | Beginning liabilities and equity | 172,895 | 270,546 | 97,651 |
| | Ending assets | 270,546 | 96,601 | -173,945 |
| | Ending liabilities and equity | 270,546 | 96,601 | -173,945 |
| Schedule M-1 | Net income (loss) per books | -42,913 | -111,299 | -68,386 |
| | Taxable income not on books | | | |
| | Book expenses not deducted | | | |
| | Income on books not on return | | | |
| | Return deductions not on books | | | |
| | Income (loss) per return | -42,913 | -111,299 | -68,386 |
| Schedule M-2 AAA | Balance at beginning of year | 21,430 | -21,483 | -42,913 |
| | Ordinary income (loss) from page 1 | -42,793 | -89,248 | -46,455 |
| | Other additions | | | |
| | Other reductions | 120 | 22,051 | 21,931 |
| | Distributions other than dividend distributions | | | |
| | Balance at end of year | -21,483 | -132,782 | -111,299 |
| Schedule M-2 OAA | Balance at beginning of year | | | |
| | Other additions | | | |
| | Other reductions | | | |
| | Distributions other than dividend distributions | | | |
| | Balance at end of year | | | |
| Schedule M-2 PTI | Balance at beginning of year | | | |
| | Distributions other than dividend distributions | | | |
| | Balance at end of year | | | |
| Schedule M-3 | Total income (loss) items: | | | |
| | Income (loss) per income statement | | | |
| | Temporary difference | | | |
| | Permanent difference | | | |
| | Income (loss) per tax return | | | |
| | Total expense/deduction items: | | | |
| | Expense per income statement | | | |
| | Temporary difference | | | |
| | Permanent difference | | | |
| | Deduction per tax return | | | |
| | Other items with no differences: | | | |
| | Income (loss) per income statement | | | |
| | Income (loss) per tax return | | | |
| | Reconciliation totals: | | | |
| | Income (loss) per income statement | | | |
| | Temporary difference | | | |
| | Permanent difference | | | |
| | Income (loss) per tax return | | | |

Shareholder's Basis Worksheet Page 1

| | | | |
|---|--|--------------------------------|-------------|
| Form 1120S Schedule K-1 | For calendar year 2010 or tax year beginning | , ending | 2010 |
| Name SUBSAND, INCORPORATED BARRY EATON | | Taxpayer Identification Number | 3958 |

Stock Basis

- | | |
|--|---|
| 1. Beginning of year stock basis | 0 |
| 2. Capital contributions | |
| Additions: | |
| 3. Ordinary business income | |
| 4. Net rental real estate income | |
| 5. Other net rental income | |
| 6. Interest, dividends and royalties | |
| 7. Net capital gains | |
| 8. Net section 1231 gain | |
| 9. Tax-exempt interest and other income | |
| 10. Other income | |
| 11. Other increases | |
| 12. Subtotal (Add line 1 through line 11) | |
| Subtractions: | |
| 13. Distributions | |
| 14. Total losses and deductions applied against stock basis (See Shareholder's Basis Worksheet Page 2) | |
| 15. Other decreases | |
| 16. Amount used to restore loan basis | |
| 17. End of year stock basis (Subtract the sum of lines 13 through 16 from line 12) | 0 |

Loan Basis

- | | |
|--|--------|
| 18. Beginning of year loan basis | 43,597 |
| 19. Loans to corporation | 26,234 |
| 20. Loan basis restored - amount used in prior years to offset losses | |
| 21. Other increases | |
| 22. Loan repayments | |
| 23. Total losses and deductions applied against loan basis (See Shareholder's Basis Worksheet Page 2) | 55,650 |
| 24. Other decreases | |
| 25. End of year loan basis (Subtract the sum of lines 22 through 24 from the sum of lines 18 through 21) | 14,181 |
| 26. End of year stock and loan basis (Add line 17 and line 25) | 14,181 |

Gain Recognized on Excess Distributions

- | | |
|---|--|
| 27. Distributions | |
| 28. Stock basis before distributions and loss items | |
| 29. Gain recognized on excess distributions (Subtract line 28 from line 27) | |

Gain Recognized on Repayment of Shareholder Loan

- | | |
|--|--|
| 30. Loan basis at beginning of tax year | |
| 31. Basis restored - amount used in prior years to offset losses | |
| 32. Loan basis before loan repayment (Add line 30 and line 31) | |
| 33. Face amount of shareholder loan at beginning of tax year | |
| 34. Loan repayments to shareholder during tax year | |
| 35. Nontaxable return of loan basis ((Line 32 divided by line 33) multiplied by line 34) | |
| 36. Gain recognized on repayment of shareholder loan (Subtract line 35 from line 34) | |

Form **1120S**
Schedule K-1

Shareholder's Basis Worksheet Page 2

2010

For calendar year 2010 or tax year beginning , ending

Taxpayer Identification Number
3958

Name **SUBSAND, INCORPORATED**
BARRY EATON

Loss Allocated to Stock and Loan Basis

| | Suspended Losses | Current Year Loss | Total Loss | Percent | Allowed Stock Loss | Disallowed Stock Loss | Percent | Allowed Loan Loss | Disallowed Loss to Carryforward | Total Allowed Loss |
|-----------------------------------|------------------|-------------------|------------|---------|--------------------|-----------------------|---------|-------------------|---------------------------------|--------------------|
| Nondeductible noncap expenses | | | | | | | | | | |
| Deductible items: | | | | | | | | | | |
| Ordinary business loss | | 44,624 | 44,624 | 80.19 | | 44,624 | 80.19 | 44,624 | | 44,624 |
| Net rental real estate loss | | | | | | | | | | |
| Other net rental loss | | | | | | | | | | |
| Short-term capital loss | | | | | | | | | | |
| Long-term capital loss | | | | | | | | | | |
| Net section 1231 loss | | 11,001 | 11,001 | 19.77 | | 11,001 | 19.77 | 11,001 | | 11,001 |
| Other portfolio loss | | | | | | | | | | |
| Other losses | | | | | | | | | | |
| Section 179 expense | | 25 | 25 | 0.04 | | 25 | 0.04 | 25 | | 25 |
| Cash contributions (50%) | | | | | | | | | | |
| Cash contributions (30%) | | | | | | | | | | |
| Noncash contributions (50%) | | | | | | | | | | |
| Qual conserv contrib (50%) | | | | | | | | | | |
| Noncash contributions (30%) | | | | | | | | | | |
| Cap gain prop 50% org (30%) | | | | | | | | | | |
| Cap gain prop (20%) | | | | | | | | | | |
| Qual conserv contrib (100%) | | | | | | | | | | |
| Portfolio deductions (2% floor) | | | | | | | | | | |
| Portfolio deductions (other) | | | | | | | | | | |
| Investment interest expense | | | | | | | | | | |
| Deductions-royalty income | | | | | | | | | | |
| Section 59(e)(2) expend | | | | | | | | | | |
| Preproductive period exp | | | | | | | | | | |
| Commercial revitalization ded | | | | | | | | | | |
| Reforestation expense ded | | | | | | | | | | |
| Other deductions | | | | | | | | | | |
| Foreign taxes | | | | | | | | | | |
| Total deductible items | | 55,650 | 55,650 | 100.00 | | 55,650 | 100.00 | 55,650 | | 55,650 |
| Total nonded and deductible items | | 55,650 | 55,650 | | | 55,650 | | 55,650 | | 55,650 |

Shareholder's Basis Worksheet Page 1

| | | |
|--|--|-------------|
| Form 1120S Schedule K-1 | For calendar year 2010 or tax year beginning _____, ending _____ | 2010 |
| Name SUBSAND, INCORPORATED SUSAN R. EATON | Taxpayer Identification Number | 8958 |

Stock Basis

| | |
|--|---|
| 1. Beginning of year stock basis | 0 |
| 2. Capital contributions | |
| Additions: | |
| 3. Ordinary business income | |
| 4. Net rental real estate income | |
| 5. Other net rental income | |
| 6. Interest, dividends and royalties | |
| 7. Net capital gains | |
| 8. Net section 1231 gain | |
| 9. Tax-exempt interest and other income | |
| 10. Other income | |
| 11. Other increases | |
| 12. Subtotal (Add line 1 through line 11) | |
| Subtractions: | |
| 13. Distributions | |
| 14. Total losses and deductions applied against stock basis (See Shareholder's Basis Worksheet Page 2) | |
| 15. Other decreases | |
| 16. Amount used to restore loan basis | |
| 17. End of year stock basis (Subtract the sum of lines 13 through 16 from line 12) | 0 |

Loan Basis

| | |
|--|--------|
| 18. Beginning of year loan basis | 43,598 |
| 19. Loans to corporation | 26,234 |
| 20. Loan basis restored - amount used in prior years to offset losses | |
| 21. Other increases | |
| 22. Loan repayments | |
| 23. Total losses and deductions applied against loan basis (See Shareholder's Basis Worksheet Page 2) | 55,649 |
| 24. Other decreases | |
| 25. End of year loan basis (Subtract the sum of lines 22 through 24 from the sum of lines 18 through 21) | 14,183 |
| 26. End of year stock and loan basis (Add line 17 and line 25) | 14,183 |

Gain Recognized on Excess Distributions

| | |
|---|--|
| 27. Distributions | |
| 28. Stock basis before distributions and loss items | |
| 29. Gain recognized on excess distributions (Subtract line 28 from line 27) | |

Gain Recognized on Repayment of Shareholder Loan

| | |
|--|--|
| 30. Loan basis at beginning of tax year | |
| 31. Basis restored - amount used in prior years to offset losses | |
| 32. Loan basis before loan repayment (Add line 30 and line 31) | |
| 33. Face amount of shareholder loan at beginning of tax year | |
| 34. Loan repayments to shareholder during tax year | |
| 35. Nontaxable return of loan basis ((Line 32 divided by line 33) multiplied by line 34) | |
| 36. Gain recognized on repayment of shareholder loan (Subtract line 35 from line 34) | |

Form **1120S**
Schedule K-1

Shareholder's Basis Worksheet Page 2

2010

For calendar year 2010 or tax year beginning , ending

Taxpayer Identification Number
3958

Name **SUBSAND, INCORPORATED**
SUSAN R. EATON

Loss Allocated to Stock and Loan Basis

| | Suspended Losses | Current Year Loss | Total Loss | Percent | Allowed Stock Loss | Disallowed Stock Loss | Percent | Allowed Loan Loss | Disallowed Loss to Carryforward | Total Allowed Loss |
|-----------------------------------|------------------|-------------------|------------|---------|--------------------|-----------------------|---------|-------------------|---------------------------------|--------------------|
| Nondeductible noncap expenses | | | | | | | | | | |
| Deductible items: | | | | | | | | | | |
| Ordinary business loss | | 44,624 | 44,624 | 80.19 | | 44,624 | 80.19 | 44,624 | | 44,624 |
| Net rental real estate loss | | | | | | | | | | |
| Other net rental loss | | | | | | | | | | |
| Short-term capital loss | | | | | | | | | | |
| Long-term capital loss | | | | | | | | | | |
| Net section 1231 loss | | 11,000 | 11,000 | 19.77 | | 11,000 | 19.77 | 11,000 | | 11,000 |
| Other portfolio loss | | | | | | | | | | |
| Other losses | | | | | | | | | | |
| Section 179 expense | | 25 | 25 | 0.04 | | 25 | 0.04 | 25 | | 25 |
| Cash contributions (50%) | | | | | | | | | | |
| Cash contributions (30%) | | | | | | | | | | |
| Noncash contributions (50%) | | | | | | | | | | |
| Qual conserv contrib (50%) | | | | | | | | | | |
| Noncash contributions (30%) | | | | | | | | | | |
| Cap gain prop 50% org (30%) | | | | | | | | | | |
| Cap gain prop (20%) | | | | | | | | | | |
| Qual conserv contrib (100%) | | | | | | | | | | |
| Portfolio deductions (2% floor) | | | | | | | | | | |
| Portfolio deductions (other) | | | | | | | | | | |
| Investment interest expense | | | | | | | | | | |
| Deductions-royalty income | | | | | | | | | | |
| Section 59(e)(2) expend | | | | | | | | | | |
| Preproductive period exp | | | | | | | | | | |
| Commercial revitalization ded | | | | | | | | | | |
| Reforestation expense ded | | | | | | | | | | |
| Other deductions | | | | | | | | | | |
| Foreign taxes | | | | | | | | | | |
| Total deductible items | | 55,649 | 55,649 | 100.00 | | 55,649 | 100.00 | 55,649 | | 55,649 |
| Total nonded and deductible items | | 55,649 | 55,649 | | | 55,649 | | 55,649 | | 55,649 |

3958

Federal Statements**Form 1120S, Page 1, Line 1a - Gross Receipts**

| <u>Description</u> | <u>Amount</u> |
|--------------------|-------------------|
| FOOD SALES | \$ 720,314 |
| TOTAL | <u>\$ 720,314</u> |

Form 1120S, Page 1, Line 12 - Taxes and Licenses

| <u>Description</u> | <u>Amount</u> |
|--------------------|------------------|
| PAYROLL TAXES | \$ 16,410 |
| FEDERAL TAXES | 75 |
| TAXES - PROPERTY | 7,516 |
| TOTAL | <u>\$ 24,001</u> |

Form 1120S, Page 1, Line 13 - Interest

| <u>Description</u> | <u>Amount</u> |
|--------------------|-----------------|
| INTEREST EXPENSE | \$ 7,833 |
| TOTAL | <u>\$ 7,833</u> |

3958

Federal Statements**Form 1120S, Page 4, Schedule L, Line 3 - Inventories**

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|--------------------|------------------------------|------------------------|
| FOOD INVENTORY | \$ 8,500 | \$ 5,000 |
| TOTAL | <u>\$ 8,500</u> | <u>\$ 5,000</u> |

Form 1120S, Page 4, Schedule L, Line 19 - Loans from Shareholders

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|----------------------------|------------------------------|------------------------|
| NOTE PAYABLE - STOCKHOLDER | \$ 108,578 | \$ 161,046 |
| TOTAL | <u>\$ 108,578</u> | <u>\$ 161,046</u> |

Form 1120S, Page 4, Schedule L, Line 20 - Mortgages, Notes, Bonds Payable in One Year or More

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|-------------------------|------------------------------|------------------------|
| NOTE PAYABLE - INVESTOR | \$ 47,000 | \$ |
| N/P - GRANDY STORE | 125,551 | |
| N/P - COCA-COLA | 6,000 | |
| TOTAL | <u>\$ 178,551</u> | <u>\$ 0</u> |

CD-479 (42)

Business Corporation North Carolina Annual Report

11-22-10

This report may be filed online at the Secretary of State website: www.sosnc.com

Name of Bus. Corporation: SUBSAND, INCORPORATED

Fiscal Year Ending: 12 31 10

State of Incorporation: NC

Month / Day / Year

Secretary of State ID Number: 915116

☒ I hereby certify that an annual report completed in its entirety has been submitted and the information requested below (required by NCGS 55-16-22) has not changed and is therefore complete.

Nature of Business:

Registered Agent:

Registered Office Mailing Address:

County: City: State: Zip Code:

Registered Office Street Address:

County: City: State: Zip Code:

Signature of New Registered Agent:

(Signature constitutes consent to the appointment)

Principal Office Telephone Number:

Principal Office Mailing Address:

City: State: Zip Code:

Principal Office Street Address:

City: State: Zip Code:

Name, Title, and Business Address of Principal Officers:

Name: Title:

Address:

City: State: Zip:

Name: Title:

Address:

City: State: Zip:

Name: Title:

Address:

City: State: Zip:

Certification of annual report (Must be completed by all Business Corporations).

Signature (Form must be signed by an officer of corporation)

BARRY C. EATON

Type or Print Name

Date

PRESIDENT

Title

CD-401S (42)

S Corporation Tax Return 2010

North Carolina Department of Revenue

| | | | |
|---|--|---|--|
| For calendar year 2010, or other tax year beginning 10 and ending | | DOR Use Only | |
| SUBSAND, INCORPORATED 105 CURRITUCK COMMERCIAL DR. STE. F MOYOCK NC 27958 | | Federal Employer ID Number [REDACTED] N.C. Secretary of State ID Number 915116 NAICS Code 722110 | |
| <input type="checkbox"/> Fed Schedule M-3 is attached | <input type="checkbox"/> Initial Filer | <input type="checkbox"/> NC-478 | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Qualified Subchapter S Subsidiary | <input type="checkbox"/> Final Return | <input checked="" type="checkbox"/> CD-479 | <input type="checkbox"/> Amended Return |

SUBS 105 27958 [REDACTED] 915116 722110

M3 N QSSS N IF N FR N 478 N 479 Y LLC N AR N

SUBSAND INCORPORATED

105 CURRITUCK COMMERCIAL DR STE F MOYOCK NC 27958

| | | | | | | | |
|-----|--------|----|---------|-----|---------|-----|---|
| BD | 0 | 06 | 35 | 16 | -111211 | 26C | 0 |
| GR | 720314 | 07 | 0 | 17 | 0 | 26D | 0 |
| TA | 96601 | 08 | 95 | 19 | 0 | 26E | 0 |
| | | 09 | 0 | 20 | 0 | 28 | 0 |
| 01 | 0 | 10 | -111249 | 21 | 0 | 29 | 0 |
| HCE | N | 11 | 38 | 22 | 0 | 33A | 0 |
| 02 | 86472 | 13 | 0 | 24 | 25 | 33B | 0 |
| 03 | 40357 | 14 | -111211 | 26A | 25 | 36 | 0 |
| 05 | 130 | 15 | 1000000 | 26B | 0 | 37 | 0 |

FEIN Y SSN N PTIN N PP [REDACTED] TN [REDACTED]

| Sch. A Computation of Franchise Tax | | Sch. B Computation of Corporate Income Tax | |
|--|---------|---|-----------|
| 1. Capital Stock, Surplus, & Undivided Profits | -132682 | 10. Shareholder's Shares of | -111249 |
| Holding Company Exception | N | Corporate Income (Loss) | |
| 2. Investment in N.C. Tangible Property | 86472 | 11. Adjustments to Corporation Income (Loss) | 38 |
| 3. Appraised Value of N.C. Tangible Property | 40357 | 12. N.C. Taxable Income | -111211 |
| 4. Taxable Amount | 86472 | 13. Nonapportionable Income | 0 |
| 5. Total Franchise Tax Due | 130 | 14. Apportionable Income | -111211 |
| 6. Application for Franchise Tax Extension | 35 | 15. Apportionment Factor | 100.0000% |
| 7. Tax Credits | 0 | 16. Income Apportioned to N.C. | -111211 |
| 8. Franchise Tax Due | 95 | 17. Nonapportionable Income Allocated to N.C. | 0 |
| 9. Franchise Tax Overpaid | 0 | 18. Total Net Taxable Income | -111211 |

Sign Return Below Refund Due 0 ☒ Payment Due 95

| | | |
|--------------------------------|----------------------------|---|
| PRESIDENT | 7574357780 | Date |
| Signature and Title of Officer | Corporate Telephone Number | [REDACTED] |
| Signature of Paid Preparer | 7574109283 | Preparer's FEIN, SSN, or PTIN |
| Preparer's Telephone Number | | <input checked="" type="checkbox"/> FEIN <input type="checkbox"/> SSN <input type="checkbox"/> PTIN |

I certify that, to the best of my knowledge, this return is accurate and complete.

Mail to: NCDOR, P.O. Box 25000, Raleigh, N.C. 27640-0530. Returns are due by the 15th day of the 4th month after the end of the income year.

6300142012

CD-401S 2010 Page 2 (42)

| | | | |
|----------------------------------|------------|----------------------------|--|
| Legal Name (First 10 Characters) | SUBSAND, I | Federal Employer ID Number | |
|----------------------------------|------------|----------------------------|--|

CD-401S Line-by-Line Information

Enter the amount of bonus depreciation from Schedule K, Line 6 for nonresident shareholders filing composite 0

| | | | |
|---|-----------|--|---------|
| Sch. B Computation of Corporate Income Tax | | 3. Total land and buildings located in N.C. 0 | |
| 19. Amount of Line 18 Attributable to Nonresidents | | 4. Total leasehold improvements and other N.C. tangible property | 75000 |
| Filing Composite | 0 | 5. Add Lines 1 through 4 | 164565 |
| 20. Separately Stated Items of Income Attributable to Nonresidents Filing Composite | 0 | 6. Acc. depreciation, depletion, and amortization with respect to N.C. tangible property | 78093 |
| 21. N.C. Income Tax | 0 | 7. Debts existing for N.C. real estate | 0 |
| 22. Surtax | 0 | 8. Investment in N.C. Tangible Property | 86472 |
| 23. Income Tax for Nonresidents Filing Composite Before Payments and Credits | 0 | Sch. E Appraised Value of N.C. Tangible Property | |
| 24. Annual Report Fee (\$25.00) | 25 | 1. County tax value of N.C. tangible property | 73376 |
| 25. Add Lines 23 and 24 | 25 | 2. Appraised value of N.C. tangible property | 40357 |
| 26. Payments | | Sch. G Ordinary Income (Loss) from Trade or Business Activities | |
| a. Application for Income Tax Extension | 25 | 1. a. Gross receipts or sales | 720314 |
| b. 2010 Estimated Tax (previous payments if amended) | 0 | b. Returns and allowances | 0 |
| c. Partnership (Include Form D-403, NC K-1) | 0 | c. Balance - Line 1a minus 1b | 720314 |
| d. Nonresident Withholding (Include 1099 or W-2) | 0 | 2. Cost of goods sold (Attach schedule) STMT 1 | 286858 |
| e. Tax Credits Attributable to Nonresidents Filing Composite | 0 | 3. Gross Profit | 433456 |
| 27. Add Lines 26a through 26e | 25 | 4. Net gain (loss) (Attach schedule) | 0 |
| 28. Income Tax Due | 0 | 5. Other income (loss) (Attach schedule) | 0 |
| 29. Income Tax Overpaid | 0 | 6. Total Income (Loss) | 433456 |
| Tax Due or Refund | | 7. Compensation of officers (Attach schedule) STMT 2 | 20000 |
| 30. Franchise Tax Due or Overpayment | 95 | 8. Salaries and wages (less employment credits) | 177414 |
| 31. Income Tax Due or Overpayment | 0 | 9. Repairs and maintenance | 4596 |
| 32. Balance of Tax Due or Overpayment | 95 | 10. Bad debts | 0 |
| 33. a. Interest | 0 | 11. Rents | 97869 |
| b. Penalties | 0 | 12. Taxes and licenses STMT 3 | 24001 |
| 34. Total Due | 95 | 13. Interest | 7833 |
| 35. Overpayment | 0 | 14. a. Depreciation SEE ATT | 39151 |
| 36. 2011 Estimated Income Tax | 0 | b. Depreciation included in cost of goods sold | 0 |
| 37. Amount to be Refunded | 0 | c. Balance - Line 14a minus 14b | 39151 |
| Sch. C Capital Stock, Surplus, and Undivided Profits | | 15. Depletion | 0 |
| 1. Total capital stock outstanding less cost of treasury stock | 100 | 16. Advertising | 31530 |
| 2. Paid-in or capital surplus | 0 | 17. Pension, profit-sharing, and similar plans | 0 |
| 3. Retained earnings | -132782 | 18. Employee benefit programs | 0 |
| 4. Other surplus | 0 | 19. Other deductions (Attach schedule) STMT 4 | 120310 |
| 5. Deferred or unearned income | 0 | 20. Total Deductions | 522704 |
| 6. Allowance for bad debts | 0 | 21. Ordinary Business Income (Loss) | -89248 |
| 7. LIFO reserves | 0 | Sch. H Computation of Income (Loss) | |
| 8. Other reserves that do not represent definite and accrued legal liabilities | 0 | 1. Ordinary business income (loss) | -89248 |
| 9. Add Lines 1 through 8 | -132682 | 2. Net rental real estate income (loss) | 0 |
| 10. Affiliated indebtedness | 0 | 3. Other net rental income (loss) | 0 |
| 11. Line 9 plus (or minus) Line 10 | -132682 | 4. Interest income | 0 |
| 12. Apportionment factor | 100.0000% | 5. Ordinary dividends | 0 |
| 13. Capital Stock, Surplus, and Undivided Profits | -132682 | 6. Royalties | 0 |
| Sch. D Investment in N.C. Tangible Property | | 7. Net short-term capital gain (loss) | 0 |
| Inventory valuation method | COST | 8. Net long-term capital gain (loss) | 0 |
| 1. Total inventories located in N.C. | 5000 | 9. Net section 1231 gain (loss) | -22001 |
| 2. Total furniture, fixtures, and M & E located in N.C. | 84565 | 10. Other income (loss) (Attach Schedule) | 0 |
| | | 11. Total Income (Loss) | -111249 |

This page must be filed with the first page of Form CD-401S.

CD-401S 2010 Page 3 (42)

Legal Name (First 10 Characters)

SUBSAND, I

Federal Employer ID Number

3958

| Sch. I Adjustments to Income (Loss) | Other Information - All Taxpayers Must Complete Schedule |
|---|--|
| 1. Additions to Income (Loss) | 1. a. State of incorporation NORTH CAROLINA |
| a. Taxes based on net income 0 | b. Date incorporated 05 18 07 |
| b. Interest on non-N.C. obligations 0 | 2. Date of N.C. Certificate of Authority 05 18 07 |
| c. Bonus depreciation 0 | 3. Trade or business: a. In N.C. SALES |
| d. Other additions to federal taxable income 0 | b. Everywhere SALES |
| 2. Total Additions 0 | 4. Principal place of business MOYOCK NC |
| 3. Deductions from Income (Loss) | 5. a. What was the last year the IRS redetermined the corporation's federal taxable income? |
| a. U.S. obligation interest (net of expenses) 0 | b. Were adjustments reported to N.C.? |
| b. Bonus depreciation -38 | c. If so, when? |
| c. Other deductions from federal taxable income 0 | 6. Does this corporation have escheatable property? N |
| 4. Total Deductions -38 | 7. Is corporation subject to franchise tax but not N.C. income tax because its income tax activities are protected? (If yes, attach explanation) N |
| 5. Adjustments to Income (Loss) 38 | |

Income Tax/Surtax Rate Schedule for Nonresident Shareholders Filing Composite

| Income | 6.00% of the first \$12,750 | If NC Taxable Income for the composite filer is | The Applicable Percentage is |
|---|-----------------------------|---|------------------------------|
| 7.00% of the amount over \$12,750 but no more than \$60,000 | | Greater than \$60,000 but not exceed \$150,000 | 2% |
| 7.75% of the amount over \$60,000 | | Greater than \$150,000 | 3% |

Sch. K Shareholders' Pro Rata Share Items

| | Shareholder 1 | Shareholder 2 | Shareholder 3 | Shareholder 4 |
|--|-----------------------------|-----------------------------|---------------|---------------------|
| 1. Identifying Number | | | | |
| 2. Name | BARRY EATON | SUSAN R. EATO | | |
| 3. Address | 817 CATRINA L CHESAPEAKE VA | 817 CATRINA L CHESAPEAKE VA | | |
| 4. Ownership % | 50.0000% | 50.0000% | % | % |
| 5. Share of Income (loss) | -55625 | -55624 | 0 | 0 |
| 6. Additions to income (loss) | 0 | 0 | 0 | 0 |
| 7. Deductions from income (loss) | -19 | -19 | 0 | 0 |
| 8. Income subject to N.C. tax | -55606 | -55605 | 0 | 0 |
| 9. Share of tax credits | 0 | 0 | 0 | 0 |
| 10. Tax withheld from nonwage compensation | 0 | 0 | 0 | 0 |
| 11. Amount of Line 8 apportioned or allocated to N.C. (nonresidents only) | -55606 | -55605 | 0 | 0 |
| 12. Separately stated items of income (nonresidents only) | 0 | 0 | 0 | 0 |
| 13. Net tax paid, including surtax, for shareholder by corporation (nonresidents only) | 0 | 0 | 0 | 0 |
| | Shareholder 5 | Shareholder 6 | Shareholder 7 | Shareholders' Total |
| 1. Identifying Number | | | | |
| 2. Name | | | | |
| 3. Address | | | | |
| 4. Ownership % | % | % | % | 100.0000% |
| 5. Share of Income (loss) | 0 | 0 | 0 | -111249 |
| 6. Additions to income (loss) | 0 | 0 | 0 | 0 |
| 7. Deductions from income (loss) | 0 | 0 | 0 | -38 |
| 8. Income subject to N.C. tax | 0 | 0 | 0 | -111211 |
| 9. Share of tax credits | 0 | 0 | 0 | 0 |
| 10. Tax withheld from nonwage compensation | 0 | 0 | 0 | 0 |
| 11. Amount of Line 8 apportioned or allocated to N.C. (nonresidents only) | 0 | 0 | 0 | -111211 |
| 12. Separately stated items of income (nonresidents only) | 0 | 0 | 0 | 0 |
| 13. Net tax paid, including surtax, for shareholder by corporation (nonresidents only) | 0 | 0 | 0 | 0 |

CD-401S 2010 Page 4 (42)

Legal Name (First 10 Characters)

SUBSAND, I

Federal Employer ID Number

3958

Sch. L Balance Sheet per Books

| Assets | Beginning of Tax Year | | End of Tax Year | |
|---|-----------------------|--------|-----------------|---------|
| | (a) | (b) | (c) | (d) |
| 1. Cash | | 1411 | | 546 |
| 2. a. Trade notes and accounts receivable | 0 | | 0 | |
| b. Less allowance for bad debts | (0) | 0 | (0) | 0 |
| 3. Inventories | | 8500 | | 5000 |
| 4. a. U.S. government obligations | | 0 | | 0 |
| b. State and other obligations | | 0 | | 0 |
| 5. Tax-exempt securities | | 0 | | 0 |
| 6. Other current assets (Attach schedule) | | 0 | | 0 |
| 7. Loans to shareholders | | 0 | | 0 |
| 8. Mortgage and real estate loans | | 0 | | 0 |
| 9. Other investments (Attach schedule) | | 0 | | 0 |
| 10. a. Buildings and other depreciable assets | 337565 | | 159565 | |
| b. Less accumulated depreciation | (103022) | 234543 | (78093) | 81472 |
| 11. a. Depletable assets | 0 | | 0 | |
| b. Less accumulated depletion | (0) | 0 | (0) | 0 |
| 12. Land (net of any amortization) | | 0 | | 0 |
| 13. a. Intangible assets (amortizable only) | 29000 | | 12500 | |
| b. Less accumulated amortization | (2908) | 26092 | (2917) | 9583 |
| 14. Other assets (Attach schedule) | | 0 | | 0 |
| 15. Total Assets | | 270546 | | 96601 |
| Liabilities and Shareholders' Equity | | | | |
| 16. Accounts payable | | 0 | | 0 |
| 17. Mortgages, notes, and bonds payable in less than 1 year | | 0 | | 0 |
| 18. Other current liabilities (Attach schedule) STMT 5 | | 4800 | | 68237 |
| 19. Loans from shareholders | | 108578 | | 161046 |
| 20. Mortgages, notes, and bonds payable in 1 year or more | | 178551 | | 0 |
| 21. Other liabilities (Attach schedule) | | 0 | | 0 |
| 22. Capital stocks | | 100 | | 100 |
| 23. Additional paid-in capital | | 0 | | 0 |
| 24. Retained earnings | | -21483 | | -132782 |
| 25. Adjustments to shareholders' equity (Attach schedule) | | 0 | | 0 |
| 26. Less cost of treasury stock | | (0) | | (0) |
| 27. Total Liabilities and Shareholders' Equity | | 270546 | | 96601 |

Sch. M-1 Federal Schedule

| | | | |
|--|---------|--|---------|
| 1. Net income (loss) per books | -111299 | 5. Income recorded on books this year not included on Federal Sch. K, Lines 1 through 10 (itemize): | |
| 2. Income included on Federal Sch. K, Lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9 and 10 not recorded on books this year (itemize): | | Tax-exempt interest | 0 |
| | 0 | | 0 |
| 3. Expenses recorded on books this year not included on Federal Sch. K, Lines 1 through 12, and 14I (itemize): | | 6. Deductions included on Federal Sch. K, Lines 1 through 12, 14I not charged against book income this year (itemize): | |
| a. Depreciation | 0 | Depreciation | 0 |
| b. Travel and entertainment | 0 | | 0 |
| | 0 | | 0 |
| 4. Add Lines 1 through 3 | -111299 | 7. Total | 0 |
| | | 8. Income or Loss (Fed. Sch. K, Line 18) | -111299 |

Explanation of Changes for Amended Return:

CD-401S 2010 Page 5 (42)

Legal Name (First 10 Characters)

SUBSAND, I

Federal Employer ID Number

3958

Sch. M-2 Analysis of N.C. AAA

| | N.C. Accumulated Adjustments | N.C. Other Adjustments | Undistributed Taxable Income Previously Taxed |
|--|---------------------------------|---------------------------|--|
| 1. Balance at beginning of year | -21483 | 0 | 0 |
| 2. Ordinary income from Sch. G, Line 21 | 0 | | |
| 3. Other additions | 0 | 0 | |
| 4. Loss from Sch. G, Line 21 | (89248) | | |
| 5. Other reductions SEE STATEMENT 6 | (22051) | (0) | 0 |
| 6. Compute Lines 1 through 5 | -132782 | 0 | 0 |
| 7. Distributions other than dividend distributions | 0 | 0 | 0 |
| 8. Balance at end of tax year | -132782 | 0 | 0 |

Sch. N Nonapportionable Income

| Nonapportionable Income | Gross Amounts | Related Expenses | Net Amounts | Net Amounts Allocated Directly to N.C. |
|--|---------------|------------------|-------------|---|
| | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| 1. Nonapportionable Income | | | 0 | |
| 2. Nonapportionable Income Allocated to N.C. | | | | 0 |

Explanation of why income listed is nonapportionable income rather than apportionable income:

Sch. O Computation of Apportionment Factor

Part 1. Domestic Corporations and Other Corporations Not Apportioning Franchise or Income Outside N.C.

100.0000 %

Part 2. Corporations Apportioning Franchise or Income to N.C. and to Other States

| | 1. Within North Carolina | | 2. Total Everywhere | | |
|--|--------------------------|-------------------|----------------------|-------------------|--------------------|
| | (a) Beginning Period | (b) Ending Period | (a) Beginning Period | (b) Ending Period | |
| 1. Land | 0 | 0 | 0 | 0 | |
| 2. Buildings | 0 | 0 | 0 | 0 | |
| 3. Inventories | 0 | 0 | 0 | 0 | |
| 4. Other property | 0 | 0 | 0 | 0 | |
| 5. Total | 0 | 0 | 0 | 0 | |
| 6. Average value of property | | 0 | | 0 | |
| 7. Rented property | | 0 | | 0 | |
| 8. Property Factor | | 0 | | 0 | Factor 0.0000 % |
| 9. Gross payroll | | 0 | | 0 | |
| 10. Compensation of general executive officers | | 0 | | 0 | |
| 11. Payroll Factor | | 0 | | 0 | 0.0000 % |
| 12. Sales Factor | | 0 | | 0 | 0.0000 % |
| 13. Sales Factor | | | | | 0.0000 % |
| 14. Total of Factors | | | | | 0.0000 % |
| 15. N.C. Apportionment Factor | | | | | 0.0000 % |
| Part 3. Corporations Apportioning Franchise or Income to N.C. and to Other States Using Single Sales Factor | | | | | 0.0000 % |
| Part 4. Special Apportionment | | | | | 0.0000 % |

NC K-1 (42)
(CD-401S)

11-21-10

**Shareholder's Share of
N.C. Income, Adjustments, and Credits**

North Carolina Department of Revenue

For calendar year 2010 or other year starting 10 and ending

| Part. 1 Information about the Corporation | Part. 2 Information about the Shareholder |
|--|--|
| <p>A. Corporation's Employer Identification Number [REDACTED] 3958</p> <p>B. Corporation's Name, Address, and Zip Code SUBSAND, INCORPORATED 105 CURRITUCK COMMERCIAL DR. STE. MOYOCK NC 27958</p> <p>C. Has Nonresident Shareholder Agreement Form NC-NA been filed? X</p> | <p>A. Shareholder's Identifying Number [REDACTED]</p> <p>B. Shareholder's Name, Address, and Zip Code BARRY EATON 817 CATRINA LANE CHESAPEAKE VA 23322</p> <p>C. Shareholder's percentage of stock ownership for tax year 050%</p> |
| Part. 3 Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items | |
| <p style="text-align: center;">All Shareholders</p> <p>1. Share of corporation income (loss) Line 1 should already be included in federal taxable income</p> <p>2. Additions to income (loss)</p> <p>a. Addition for bonus depreciation Enter here and on Form D-400, Page 3, Line 40</p> <p>b. Other additions to income (loss) Enter here and on Form D-400, Page 3, Line 42</p> <p>3. Deductions from income (loss) Enter here and on Form D-400, Page 3, Line 52</p> <p>4. Share of tax credits Enter here and on Form D-400TC, see Form D-400 Instructions</p> <p>5. Share of tax withheld from nonwage compensation paid for personal services performed in N.C. Enter here and on Form D-400, Page 2, Line 21</p> | |
| <p style="text-align: right;">-55625</p> <p style="text-align: right;">0</p> <p style="text-align: right;">0</p> <p style="text-align: right;">-19</p> <p style="text-align: right;">0</p> <p style="text-align: right;">0</p> | |
| <p style="text-align: center;">Nonresidents Only</p> <p>6. Nonresident's share of N.C. taxable income (loss) Enter here and on Form D-400, Page 4, Line 54</p> <p>7. Nonresident's share of separately stated items of income Line 7 should already be included in federal taxable income</p> <p>8. Nonresident's share of net tax paid, including surtax, by the S Corporation Enter here and on Form D-400, Page 2, Line 22d</p> | |
| <p style="text-align: right;">-55606</p> <p style="text-align: right;">0</p> <p style="text-align: right;">0</p> | |

NC K-1 (42)
(CD-401S)

11-21-10

**Shareholder's Share of
N.C. Income, Adjustments, and Credits**

North Carolina Department of Revenue

For calendar year 2010 or other year starting 10 and ending

| Part. 1 Information about the Corporation | Part. 2 Information about the Shareholder |
|--|--|
| A. Corporation's Employer Identification Number <div style="background-color: black; width: 100px; height: 1em; margin-top: 5px;"></div> | A. Shareholder's Identifying Number <div style="background-color: black; width: 100px; height: 1em; margin-top: 5px;"></div> |
| B. Corporation's Name, Address, and Zip Code SUBSAND, INCORPORATED 105 CURRITUCK COMMERCIAL DR. STE. MOYOCK NC 27958 | B. Shareholder's Name, Address, and Zip Code SUSAN R. EATON 817 CATRINA LANE CHESAPEAKE VA 23322 |
| C. Has Nonresident Shareholder Agreement Form NC-NA been filed? X | C. Shareholder's percentage of stock ownership for tax year 050% |

| Part. 3 Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items | |
|---|--------|
| All Shareholders | |
| 1. Share of corporation income (loss) Line 1 should already be included in federal taxable income | -55624 |
| 2. Additions to income (loss) | |
| a. Addition for bonus depreciation Enter here and on Form D-400, Page 3, Line 40 | 0 |
| b. Other additions to income (loss) Enter here and on Form D-400, Page 3, Line 42 | 0 |
| 3. Deductions from income (loss) Enter here and on Form D-400, Page 3, Line 52 | -19 |
| 4. Share of tax credits Enter here and on Form D-400TC, see Form D-400 Instructions | 0 |
| 5. Share of tax withheld from nonwage compensation paid for personal services performed in N.C. Enter here and on Form D-400, Page 2, Line 21 | 0 |
| Nonresidents Only | |
| 6. Nonresident's share of N.C. taxable income (loss) Enter here and on Form D-400, Page 4, Line 54 | -55605 |
| 7. Nonresident's share of separately stated items of income Line 7 should already be included in federal taxable income | 0 |
| 8. Nonresident's share of net tax paid, including surtax, by the S Corporation Enter here and on Form D-400, Page 2, Line 22d | 0 |

3958

North Carolina Statements**Statement 1 - Form CD-401S, Page 2, Schedule G, Line 2 - Cost of Goods Sold**

| <u>Description</u> | <u>Amount</u> |
|------------------------|-------------------|
| BEGINNING INVENTORY | \$ 8,500 |
| PURCHASES | 283,358 |
| LESS: ENDING INVENTORY | -5,000 |
| TOTAL | <u>\$ 286,858</u> |

Statement 2 - Form CD-401S, Page 2, Schedule G, Line 7 - Compensation of Officers

| <u>Officer Name</u> | <u>Compensation</u> |
|---------------------|---------------------|
| OFFICER SALARIES | \$ 20,000 |
| TOTAL | <u>\$ 20,000</u> |

Statement 3 - Form CD-401S, Page 2, Schedule G, Line 12 - Taxes and Licenses

| <u>Description</u> | <u>Amount</u> |
|--------------------|------------------|
| PAYROLL TAXES | \$ 16,410 |
| FEDERAL TAXES | 75 |
| TAXES - PROPERTY | 7,516 |
| TOTAL | <u>\$ 24,001</u> |

Statement 4 - Form CD-401S, Page 2, Schedule G, Line 19 - Other Deductions

| <u>Description</u> | <u>Amount</u> |
|-----------------------|-------------------|
| ROYALTIES | \$ 57,935 |
| OFFICE SUPPLIES | 380 |
| BANK SERVICE CHARGES | 9,144 |
| INSURANCE EXPENSE | 3,600 |
| AUTO EXPENSE | 9,750 |
| UTILITIES | 26,852 |
| PROFESSIONAL FEES | 3,554 |
| SUPPLIES | 134 |
| TELEPHONE | 1,608 |
| MISCELLANEOUS EXPENSE | 5,510 |
| AMORTIZATION | 1,843 |
| TOTAL | <u>\$ 120,310</u> |

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North Carolina Statements**Statement 5 - Form CD-401S, Page 4, Schedule L, Line 18 - Other Current Liabilities**

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|-------------------------------|------------------------------|------------------------|
| FEDERAL 941 TAXES PAYABLE | \$ 1,396 | \$ 6,379 |
| STATE WITHHOLDING | 325 | 2,346 |
| SALES TAX PAYABLE | 3,079 | 20,000 |
| CC - SLATE FROM CHASE | | 5,963 |
| CC - SOUTHWEST RAPID REWARDS | | 11,350 |
| CC - VISA SIGNATURE/ US AIRWA | | 20,155 |
| CC - CARNIVAL FUN POINTS | | 2,044 |
| TOTAL | <u>\$ 4,800</u> | <u>\$ 68,237</u> |

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North Carolina Statements**Statement 6 - Form CD-401S, Page 5, Schedule M-2, Line 5 - NC AAA Other Reductions**

| <u>Description</u> | <u>Amount</u> |
|--------------------------|------------------|
| NET 1231 LOSS | \$ 22,001 |
| CHARITABLE CONTRIBUTIONS | 50 |
| TOTAL | <u>\$ 22,051</u> |

Form **4797**Department of the Treasury
Internal Revenue Service (99)**Sales of Business Property**
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return.

▶ See separate instructions.

OMB No. 1545-0184

2010Attachment
Sequence No. **27**

Name(s) shown on return

Identifying number

SUBSAND, INCORPORATED

3958

1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)**1****Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)**

| 2 (a) Description of property | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | (d) Gross sales price | (e) Depreciation allowed or allowable since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) Gain or (loss) Subtract (f) from the sum of (d) and (e) |
|--------------------------------------|-----------------------------------|-------------------------------|-----------------------|---|--|---|
| SALE OF GRANDY VARIOUS | 12/01/10 | | 106,586 | 65,913 | 194,500 | -22,001 |

3 Gain, if any, from Form 4684, line 42**3****4** Section 1231 gain from installment sales from Form 6252, line 26 or 37**4****5** Section 1231 gain or (loss) from like-kind exchanges from Form 8824**5****6** Gain, if any, from line 32, from other than casualty or theft**6****7** Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:**7**

-22,001

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.**Individuals, partners, S corporation shareholders, and all others.** If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.**8** Nonrecaptured net section 1231 losses from prior years (see instructions)**8****9** Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)**9****Part II Ordinary Gains and Losses (see instructions)****10** Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
| | | | | | | |

11 Loss, if any, from line 7**11****12** Gain, if any, from line 7 or amount from line 8, if applicable**12****13** Gain, if any, from line 31**13****14** Net gain or (loss) from Form 4684, lines 34 and 41a**14****15** Ordinary gain from installment sales from Form 6252, line 25 or 36**15****16** Ordinary gain or (loss) from like-kind exchanges from Form 8824**16****17** Combine lines 10 through 16**17****18** For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:**a** If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions**18a****b** Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14**18b**

For Paperwork Reduction Act Notice, see separate instructions.

Form **4797** (2010)

THERE ARE NO AMOUNTS FOR PAGE 2

NC K-1 (42)
(CD-401S)

11-21-10

**Shareholder's Share of
N.C. Income, Adjustments, and Credits**
North Carolina Department of Revenue

For calendar year 2010 or other year starting 10 and ending

| Part. 1 Information about the Corporation | Part. 2 Information about the Shareholder |
|---|--|
| A. Corporation's Employer Identification Number <div style="background-color: black; width: 100px; height: 1.2em; display: inline-block;"></div> 3958 | A. Shareholder's Identifying Number <div style="background-color: black; width: 100px; height: 1.2em; display: inline-block;"></div> |
| B. Corporation's Name, Address, and Zip Code SUBSAND, INCORPORATED 105 CURRITUCK COMMERCIAL DR. STE. MOYOCK NC 27958 | B. Shareholder's Name, Address, and Zip Code BARRY EATON 817 CATRINA LANE CHESAPEAKE VA 23322 |
| C. Has Nonresident Shareholder Agreement Form NC-NA been filed? X | C. Shareholder's percentage of stock ownership for tax year 050% |

| Part. 3 Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items | |
|---|--------|
| All Shareholders | |
| 1. Share of corporation income (loss) Line 1 should already be included in federal taxable income | -55625 |
| 2. Additions to income (loss) | |
| a. Addition for bonus depreciation Enter here and on Form D-400, Page 3, Line 40 | 0 |
| b. Other additions to income (loss) Enter here and on Form D-400, Page 3, Line 42 | 0 |
| 3. Deductions from income (loss) Enter here and on Form D-400, Page 3, Line 52 | -19 |
| 4. Share of tax credits Enter here and on Form D-400TC, see Form D-400 Instructions | 0 |
| 5. Share of tax withheld from nonwage compensation paid for personal services performed in N.C. Enter here and on Form D-400, Page 2, Line 21 | 0 |
| Nonresidents Only | |
| 6. Nonresident's share of N.C. taxable income (loss) Enter here and on Form D-400, Page 4, Line 54 | -55606 |
| 7. Nonresident's share of separately stated items of income Line 7 should already be included in federal taxable income | 0 |
| 8. Nonresident's share of net tax paid, including surtax, by the S Corporation Enter here and on Form D-400, Page 2, Line 22d | 0 |

| | | | |
|---|--|--|------|
| Form NC K-1 | NC Shareholder's Share of Deductions Worksheet | | 2010 |
| For calendar year 2010, or other tax year beginning _____, ending _____ | | | |
| Name SUBSAND, INCORPORATED BARRY EATON | NC Secretary of State ID Number 915116 | Federal Employer ID Number <div style="background-color: black; width: 100px; height: 20px;"></div> | |

Contributions:

| | |
|--|----|
| Total contributions to NC | 25 |
| Contributions to NC donees | |
| Contributions to donees outside NC | |
| Federal Section 179 deduction | |
| State adjustment for Section 179 deduction | |

Bonus Depreciation

| | Prior Year Add Back Amount | Net State Adjustment |
|---------------------------------|-------------------------------|-------------------------|
| Bonus depreciation adjustments: | | |
| 2010 | | |
| 2009 | -95 | 19 |
| 2008 | | |

NC K-1 (42)
(CD-401S)

11-21-10

**Shareholder's Share of
N.C. Income, Adjustments, and Credits**
North Carolina Department of Revenue

For calendar year 2010 or other year starting 10 and ending

| Part. 1 Information about the Corporation | Part. 2 Information about the Shareholder |
|---|--|
| A. Corporation's Employer Identification Number <div style="background-color: black; width: 100px; height: 1.2em; display: inline-block;"></div> 3958 | A. Shareholder's Identifying Number <div style="background-color: black; width: 100px; height: 1.2em; display: inline-block;"></div> |
| B. Corporation's Name, Address, and Zip Code SUBSAND, INCORPORATED 105 CURRITUCK COMMERCIAL DR. STE. MOYOCK NC 27958 | B. Shareholder's Name, Address, and Zip Code SUSAN R. EATON 817 CATRINA LANE CHESAPEAKE VA 23322 |
| C. Has Nonresident Shareholder Agreement Form NC-NA been filed? X | C. Shareholder's percentage of stock ownership for tax year 050% |

| Part. 3 Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items | |
|---|--------|
| All Shareholders | |
| 1. Share of corporation income (loss) Line 1 should already be included in federal taxable income | -55624 |
| 2. Additions to income (loss) | |
| a. Addition for bonus depreciation Enter here and on Form D-400, Page 3, Line 40 | 0 |
| b. Other additions to income (loss) Enter here and on Form D-400, Page 3, Line 42 | 0 |
| 3. Deductions from income (loss) Enter here and on Form D-400, Page 3, Line 52 | -19 |
| 4. Share of tax credits Enter here and on Form D-400TC, see Form D-400 Instructions | 0 |
| 5. Share of tax withheld from nonwage compensation paid for personal services performed in N.C. Enter here and on Form D-400, Page 2, Line 21 | 0 |
| Nonresidents Only | |
| 6. Nonresident's share of N.C. taxable income (loss) Enter here and on Form D-400, Page 4, Line 54 | -55605 |
| 7. Nonresident's share of separately stated items of income Line 7 should already be included in federal taxable income | 0 |
| 8. Nonresident's share of net tax paid, including surtax, by the S Corporation Enter here and on Form D-400, Page 2, Line 22d | 0 |

| | | |
|---|---|--|
| NC Shareholder's Share of Deductions Worksheet | | 2010 |
| Form NC K-1 | For calendar year 2010, or other tax year beginning _____, ending _____ | |
| Name SUBSAND, INCORPORATED SUSAN R. EATON | NC Secretary of State ID Number 915116 | Federal Employer ID Number [REDACTED] |

Contributions:

| | |
|--|----|
| Total contributions to NC | 25 |
| Contributions to NC donees | |
| Contributions to donees outside NC | |
| Federal Section 179 deduction | |
| State adjustment for Section 179 deduction | |

Bonus Depreciation

| | Prior Year Add Back Amount | Net State Adjustment |
|---------------------------------|-------------------------------|-------------------------|
| Bonus depreciation adjustments: | | |
| 2010 | | |
| 2009 | -94 | 19 |
| 2008 | | |

| | January 2011 | February 2011 | March 2011 | April 2011 | May 2011 | June 2011 | July 2011 |
|---------------------------|--------------|---------------|-------------|------------|----------|-----------|-----------|
| <u>Income</u> | | | | | | | |
| Food Sales (per month) | \$41,455.95 | \$39,103.56 | \$42,826.70 | | | | |
| <u>Expenses</u> | | | | | | | |
| Cost of Goods Sold | \$12,398 | \$11,366.44 | \$10,249.76 | | | | |
| Advertising and Promotion | \$2,446.54 | \$2,388.84 | \$2,487.29 | | | | |
| Bank Service Charges | \$240.00 | \$160.00 | \$520.00 | | | | |
| Insurance Expense | 0 | 0 | \$833.22 | | | | |
| Miscellaneous Expense | \$5,268.56 | \$5,941.00 | \$4,847.61 | | | | |
| Payroll | \$7,951.14 | \$6,547.39 | \$6,782.99 | | | | |
| Rent | \$3,290.66 | \$3,290.66 | \$2,932.44 | | | | |
| Taxes- Property | \$624.83 | \$5,378.75 | \$3,934.90 | | | | |
| Utilities | \$974.65 | \$911.38 | \$530.19 | | | | |
| Other | 0 | (\$420.60) | \$5,860.09 | | | | |
| Professional Fees | \$4,778.09 | \$4,471.83 | \$4,421.86 | | | | |
| Total Expenses | \$37,972 | \$40,035.69 | \$43,400.35 | | | | |
| Monthly Net | \$3,483.48 | (\$932.13) | (\$573.65) | | | | |

Barry Eaton, President and CEO

/s/ Susan Eaton
Sue Eaton, Officer

**IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF VIRGINIA
Norfolk Division**

In re:

SUBSAND INC.

Case No. 11-
Chapter 11

Debtor.

RESOLUTION OF OFFICERS AND DIRECTORS

The undersigned, being the Officers and Directors of Subsand Inc. ("this/the Company"), executes this written consent to the following action to be taken by the Company:

Whereas, it is in the best interest of this Company to file a voluntary petition in the United States Bankruptcy Court pursuant to Chapter 11 of Title 11 of the United States Code;

Be It Therefore Resolved, that Barry Eaton, Chief Executive Officer and Director of the Company, is authorized and directed to execute and deliver all documents necessary to perfect and proceed with the filing of a Chapter 11 voluntary bankruptcy case on behalf of the Company; and

Be It Further Resolved, that Barry Eaton, Chief Executive Officer and Director of the Company, is authorized and directed to appear in all bankruptcy proceedings on behalf of the Company and any subsidiaries, and to otherwise do and perform all acts and deeds and to execute and deliver all necessary documents on behalf of the Company and any subsidiaries in connection with such bankruptcy case, and

Be It Further Resolved, that Barry Eaton, Chief Executive Officer and Director of the Company, is authorized and directed to employ the law firm of Crowley, Liberatore & Ryan, P.C. to represent the Company in such bankruptcy case.

Be It Further Resolved, that Sue Eaton, Officer of the Company, effective as of May 1, 2011, is removed as officer or director, making Barry Eaton the sole Officer and Director of the Company

Date: May 25, 2011

/s/ Barry Eaton